

**REPORT OF THE AUDIT OF THE
CALLOWAY COUNTY
SHERIFF**

**For The Year Ended
December 31, 2008**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE CALLOWAY COUNTY SHERIFF

**For The Year Ended
December 31, 2008**

The Auditor of Public Accounts has completed the Calloway County Sheriff's audit for the year ended December 31, 2008. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees decreased by \$9,911 from the prior year, resulting in excess fees of \$35,900 as of December 31, 2008. Revenues increased by \$19,694 from the prior year and expenditures increased by \$29,605.

Debt Obligations:

Total debt principal as of December 31, 2008, was \$43,769. Future collections of \$48,134 are needed over the next four years to pay all debt principal and interest.

Deposits:

The Sheriff's deposits as of October 31, 2008 were exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured \$353,055

The Sheriff's deposits were covered by FDIC insurance and a properly executed collateral security agreement, but the bank did not adequately collateralize the Sheriff's deposits in accordance with the security agreement.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Larry Elkins, Calloway County Judge/Executive
The Honorable William Marcum, Calloway County Sheriff
Members of the Calloway County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the Sheriff of Calloway County, Kentucky, for the year ended December 31, 2008. This financial statement is the responsibility of the Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the Sheriff for the year ended December 31, 2008, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated July 28, 2009 on our consideration of the Calloway County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Larry Elkins, Calloway County Judge/Executive
The Honorable William Marcum, Calloway County Sheriff
Members of the Calloway County Fiscal Court

This report is intended solely for the information and use of the Sheriff and Fiscal Court of Calloway County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these interested parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a stylized, flowing script.

Crit Luallen
Auditor of Public Accounts

July 28, 2009

CALLOWAY COUNTY
 WILLIAM MARCUM, SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2008

Revenues

Federal Grants		\$	26,191
State - Kentucky Law Enforcement Foundation Program Fund			47,833
State Fees For Services:			
Finance and Administration Cabinet	\$	104,919	
Sheriff Security Service		<u>30,950</u>	135,869
Circuit Court Clerk:			
Fines and Fees Collected			21,738
Fiscal Court			281,581
County Clerk - Delinquent Taxes			7,029
Commission On Taxes Collected			437,549
Fees Collected For Services:			
Auto Inspections		17,195	
Execution Orders		2,167	
Serving Papers		68,680	
Carrying Concealed Deadly Weapon Permits		4,012	
Sheriff's Tax Fees		<u>52,315</u>	144,369
Other:			
School Security		62,599	
Transporting		3,650	
Law Enforcement - City of Hazel		9,200	
Equipment Reimbursements		23,825	
Miscellaneous		<u>4,415</u>	103,689
Interest Earned			984
Borrowed Money:			
State Advancement		213,000	
Bank Note		<u>10,300</u>	<u>223,300</u>
Total Revenues			1,430,132

The accompanying notes are an integral part of this financial statement.

CALLOWAY COUNTY
WILLIAM MARCUM, SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2008
(Continued)

Expenditures

Operating Expenditures and Capital Outlay:

Personnel Services-

Deputies' Salaries \$ 736,310

Dispatch Salaries 120,460

Employee Benefits-

Employer's Share Social Security 66,073

Contracted Services-

Copier Maintenance 2,785

Computer Maintenance 1,300

Materials and Supplies-

Equipment Expense 40,431

Auto Expense-

Vehicle Expense 47,010

Other Charges-

Conventions and Travel 11,366

Training 385

Dues 2,032

Postage 3,010

County Ordinance 12,640

Civil Process 625

Miscellaneous 16,270 \$ 1,060,697

Capital Outlay-

Vehicles 30,879

Debt Service:

State Advancement 213,000

Notes 7,411

Interest 1,175 221,586

Total Expenditures \$ 1,313,162

Net Revenues 116,970

Less: Statutory Maximum 79,308

Excess Fees 37,662

Less: Training Incentive Benefit 1,762

Excess Fees Due County for 2008 35,900

Payment to Fiscal Court - March 16, 2009 35,893

Balance Due Fiscal Court \$ 7

The accompanying notes are an integral part of this financial statement.

CALLOWAY COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2008

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the Sheriff as determined by the audit. KRS 134.310 requires the Sheriff to settle excess fees with the fiscal court at the time he files his final settlement with the fiscal court.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2008 services
- Reimbursements for 2008 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2008

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

CALLOWAY COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 31, 2008
 (Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.17 percent for the first six months and 13.50 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Calloway County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Calloway County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2008, all deposits were covered by FDIC insurance or a properly executed collateral security agreement. However, as of October 31, 2008, public funds were exposed to custodial credit risk because the bank did not adequately collateralize the Sheriff's deposits in accordance with the security agreement.

- Uncollateralized and Uninsured \$353,055

CALLOWAY COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2008
(Continued)

Note 4. Note Payable

A. Regions Bank - Vehicles

The Calloway County Sheriff's Office was liable for a secured note payable to the Regions Bank in the amount of \$36,119. The purpose of the note was to purchase vehicles for the sheriff's office. The note matures December 11, 2012 and the interest rate is 5 percent. The note requires 60 payments of \$683 per month. The Calloway County Sheriff's Office was in compliance with the terms of the agreement as of December 31, 2008. The following amounts are due to pay the principal balance of \$29,610 as of December 31, 2008.

Year Ended	Principal Due	Interest Due
2009	\$ 6,871	\$ 1,323
2010	7,223	972
2011	7,592	602
2012	7,924	214
	<u>\$ 29,610</u>	<u>\$ 3,111</u>

B. Branch Banking & Trust - Vehicle

The Calloway County Sheriff's Office is liable for a secured note payable to Branch Banking & Trust in the amount of \$6,855. The purpose of this note was to purchase a vehicle for the sheriff's office. The note matures in December 2010 and the interest rate is 8.5 percent. The note requires 48 payments of \$217 per month which is paid from the Calloway County Sheriff's Special Fund. The Calloway County Sheriff's Office was in compliance with the terms of the agreement as of December 31, 2008. The following amounts are due to pay principal balance of \$4,761 as of December 31, 2008.

Year Ended	Principal Due	Interest Due
2009	\$ 2,285	\$ 315
2010	2,476	115
	<u>\$ 4,761</u>	<u>\$ 430</u>

C. Regions Bank - Vehicle

On August 11, 2008, the Calloway County Sheriff's Office borrowed \$10,300 from Regions Bank for the purpose of purchasing a vehicle for the Sheriff's Office. The note matures on February 11, 2012 and the interest rate is 5.15 percent. The note requires 42 payments of \$269 per month. The Calloway County Sheriff's Office was in compliance with the terms of the agreement as of December 31, 2008. The following amounts are due to pay principal balance of \$9,398 as of December 31, 2008.

CALLOWAY COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 31, 2008
 (Continued)

Note 4. Note Payable (Continued)

C. Regions Bank – Vehicle (Continued)

Year Ended	Total Amount Due
2009	\$ 3,228
2010	3,228
2011	3,228
2012	538
	<u>\$ 10,222</u>

Note 5. Special Fund

The Calloway County Sheriff's Office maintains a separate account for drug fund receipts and other miscellaneous receipts. The beginning balance of this account was \$15,163. During calendar year 2008 receipts were \$25,786 and expenditures were \$38,109 leaving an ending balance of \$2,840 as of December 31, 2008.

Note 6. Forfeiture Fund

In January 2008, the Calloway County Sheriff's Office opened a Forfeiture Account to account for court ordered forfeitures of money and property. During the year receipts were \$19,112 and expenditures were \$18,000 leaving an ending balance of \$1,112 as of December 31, 2008.

Note 7. Grant

During calendar year 2008, the Sheriff's office received funds from a federal grant entitled, Justice Assistance Grant. The Sheriff received \$26,191 for the Pennyrile Narcotics Program.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Larry Elkins, Calloway County Judge/Executive
The Honorable William Marcum, Calloway County Sheriff
Members of the Calloway County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Calloway County Sheriff for the year ended December 31, 2008, and have issued our report thereon dated July 28, 2009. The Sheriff's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Calloway County Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Calloway County Sheriff's financial statement for the year ended December 31, 2008, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Calloway County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", written in a cursive style.

Crit Luallen
Auditor of Public Accounts

July 28, 2009

